

1 AN ACT in relation to public employee benefits.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Illinois Pension Code is amended by  
5 changing Sections 8-167, 8-174.1, 11-163, and 11-170.1 as  
6 follows:

7 (40 ILCS 5/8-167) (from Ch. 108 1/2, par. 8-167)

8 Sec. 8-167. Restoration of rights. An employee who has  
9 withdrawn as a refund the amounts credited for annuity  
10 purposes, and who (i) re-enters service of the employer and  
11 serves for periods comprising at least 90 days 2-years after  
12 the date of the last refund paid to him or (ii) has completed  
13 at least 2 years of service under a participating system (as  
14 defined in the Retirement Systems Reciprocal Act) other than  
15 this Fund after the date of the last refund, shall have his  
16 annuity rights restored by compliance with the following  
17 provisions:

18 (a) After such 90 day or 2 year period, whichever  
19 applies, he shall repay in full to the Fund, while in  
20 service, ~~in full~~ all refunds received, together with  
21 interest at the effective rate from the dates of refund  
22 to the date of repayment. ~~or~~

23 (b) If payment is not made in a single sum, the  
24 repayment may be made in installments by deductions from  
25 salary or otherwise in such amounts and manner as the  
26 board, by rule, may prescribe, with interest at the  
27 effective rate accruing on unpaid balances. ~~or~~

28 (c) If the employee withdraws from service or dies  
29 in service before full repayment is made, service credit  
30 shall be restored in accordance with Section 8-230.3(b).

31 ~~such rights shall not be restored, but the amount,~~

1 including--interest,--repaid--by--him,--but--without--any  
2 further-interest-otherwise-normally--credited,--shall--be  
3 refunded--to--him--or--to--his--widow,--or--in-the-manner  
4 provided-by-the-refund-provisions-of-this-Article--if--no  
5 widow-survives.

6 (d) If the employee repays the refund while  
7 participating in a participating system (as defined in  
8 the Retirement Systems Reciprocal Act) other than this  
9 Fund, the service credit restored must be used for a  
10 proportional annuity calculated in accordance with the  
11 Retirement Systems Reciprocal Act. If not so used, the  
12 restored service credit shall be forfeited and the amount  
13 of the repayment shall be refunded, without interest.

14 This Section applies also to any person who received a  
15 refund from any annuity and benefit fund or pension fund  
16 which was merged into and superseded by the annuity and  
17 benefit fund provided for in this Article on or after  
18 December 31, 1959. Upon repayment such person shall receive  
19 credit for all annuity purposes in the annuity and benefit  
20 fund provided for in this Article for the period of service  
21 covered by the repayment such-refund.

22 The amount of refund repayment is considered as salary  
23 deductions for age and service annuity and widow's annuity  
24 purposes in the case of a male person. In the latter case  
25 the amount of refund repayment is allocated in the applicable  
26 proportion for age and service and widow's annuity purposes.  
27 Such person shall also be credited with city contributions  
28 for age and service annuity, and widow's annuity if a male  
29 employee, in the amount which would have been credited and  
30 accrued if such person had been a participant in and  
31 contributor to the annuity and benefit fund provided for in  
32 this Article during the period of such service on the basis  
33 of his salary during such period.

34 (Source: P.A. 81-1536.)

1 (40 ILCS 5/8-174.1) (from Ch. 108 1/2, par. 8-174.1)

2 Sec. 8-174.1. Employer contributions on behalf of  
3 employees.

4 (a) The employer may make and may incur an obligation to  
5 make contributions on behalf of its employees in an amount  
6 not to exceed the employee contributions required by Sections  
7 8-137, 8-161, 8-174, 8-182 and 8-182.1 for all salary earned  
8 after December 31, 1981. If such employee contributions are  
9 not made or an obligation to make such contributions is not  
10 incurred by the employer on behalf of its employees, the  
11 amount that could have been contributed shall continue to be  
12 deducted from salary. If employee contributions are made by  
13 the employer on behalf of its employees, they shall be  
14 treated as employer contributions in determining tax  
15 treatment under the United States Internal Revenue Code;  
16 however, each city shall continue to withhold federal and  
17 State income taxes based upon these contributions until the  
18 Internal Revenue Service or the Federal courts rule that  
19 pursuant to Section 414(h) of the United States Internal  
20 Revenue Code, these contributions shall not be included as  
21 gross income of the employee until such time as they are  
22 distributed or made available. The employer may make these  
23 contributions on behalf of its employees by a reduction in  
24 the cash salary of the employee or by an offset against a  
25 future salary increase or by a combination of a reduction in  
26 salary and offset against a future salary increase. The  
27 employer shall pay these employee contributions from the same  
28 source of funds used in paying salary to the employee or, if  
29 the employer is a Board of Education, it may also or  
30 alternatively pay such contributions in whole or in part from  
31 the proceeds of the pension contribution liability tax  
32 authorized by Section 34-60.1 of the School Code, as amended.  
33 If such a tax is levied with respect to any fiscal year of a  
34 Board of Education, that portion of the contributions to be

1 paid by the Board of Education on behalf of its employees for  
2 that fiscal year from the proceeds of such a tax shall not be  
3 due and payable into the Fund until the collection, in the  
4 calendar year following the calendar year in which such levy  
5 was made, of the actual tax bills extending the second  
6 installment of real estate taxes for the Board of Education  
7 for that calendar year, pursuant to Section 21-30 of the  
8 Property Tax Code, and such Board of Education shall not be  
9 required to pay those contributions to be paid from the  
10 proceeds of such a tax into the Fund except as collected from  
11 the extension of the actual tax bills. If employee  
12 contributions are made by the employer on behalf of its  
13 employees, they shall be treated for all purposes of this  
14 Article 8, including Section 8-173, in the same manner and to  
15 the same extent as employee contributions made by employees  
16 and deducted from salary; provided, however, that  
17 contributions which are made by a Board of Education on  
18 behalf of its employees shall not be treated as a pension or  
19 retirement obligation of the Board of Education for purposes  
20 of Section 12 of "An Act in relation to State revenue sharing  
21 with local governmental entities", approved July 31, 1969, as  
22 amended. For purposes of Section 8-173, contributions made  
23 by a Board of Education on behalf of its employees shall be  
24 treated as contributions made by or on behalf of employees to  
25 the Fund for the fiscal year for which the Board of Education  
26 incurred the obligation to make such contributions.

27 (b) Subject to the requirements of federal law and the  
28 rules of the Board, the Fund may allow the employee to elect  
29 to have the employer pick up the optional contributions that  
30 the employee has elected to pay to the Fund, and the  
31 contributions so picked up shall be treated as employer  
32 contributions for the purpose of determining federal tax  
33 treatment. The employer shall pick up the contributions by a  
34 reduction in the cash salary of the employee and shall pay

1 contributions from the same source of funds that is used to  
 2 pay earnings of the employee. The election to have the  
 3 contributions picked up is irrevocable and the optional  
 4 contributions may not thereafter be prepaid, by direct  
 5 payment or otherwise.

6 If the provision authorizing the optional contribution  
 7 requires payment by a stated date (rather than the date of  
 8 withdrawal or retirement), the requirement will be deemed to  
 9 have been satisfied if (i) on or before the stated date the  
 10 employee executes a valid irrevocable election to have the  
 11 contributions picked up under this subsection, and (ii) the  
 12 picked-up contributions are in fact paid to the Fund as  
 13 provided in the election.

14 If employee contributions are picked up under this  
 15 subsection, they shall be treated for all purposes of this  
 16 Article 8, including Section 8-173, in the same manner and to  
 17 the same extent as optional employee contributions made prior  
 18 to the date picked up.

19 (Source: P.A. 88-670, eff. 12-2-94.)

20 (40 ILCS 5/11-163) (from Ch. 108 1/2, par. 11-163)

21 Sec. 11-163. Restoration of rights. An employee who has  
 22 withdrawn as a refund the amounts credited for annuity  
 23 purposes, and who (i) re-enters service of the employer and  
 24 serves for periods comprising at least 90 days 2-years after  
 25 the date of the last refund paid to him or (ii) has completed  
 26 at least 2 years of service under a participating system (as  
 27 defined in the Retirement Systems Reciprocal Act) other than  
 28 this Fund after the date of the last refund, shall have his  
 29 annuity rights restored by making application to the board in  
 30 writing for the privilege of re-instating such rights and by  
 31 compliance with the following provisions:

32 (a) After such 90 day or 2 year period, whichever  
 33 applies, he shall repay in full to the fund, while in

1 service, ~~in--full~~ all refunds received, together with  
2 interest at the effective rate from the application dates  
3 of such refund or refunds to the date of repayment.;

4 (b) If payment is not made in a single sum,  
5 repayment may be made in installments by deductions from  
6 salary or otherwise, in such manner and amounts as the  
7 board, by rule, may prescribe, with interest at the  
8 effective rate accruing on the unpaid balance employee  
9 may-elect. The employee shall be credited with interest  
10 at the effective rate from the date of each installment  
11 until full repayment is made.

12 (c) If the employee withdraws from service or dies  
13 in service before full repayment is made or during the  
14 required 90 day or 2 year period, service credit shall be  
15 restored in accordance with Section 11-221.2(b) any  
16 repayments--made--shall--be--refunded,--without--interest  
17 thereon-and-in-accordance-with-the-refund--provisions--of  
18 this-Article.

19 (d) If the employee repays the refund while  
20 participating in a participating system (as defined in  
21 the Retirement Systems Reciprocal Act) other than this  
22 Fund, the service credit restored must be used for a  
23 proportional annuity calculated in accordance with the  
24 Retirement Systems Reciprocal Act. If not so used, the  
25 restored service credit shall be forfeited and the amount  
26 of the repayment shall be refunded, without interest.

27 (Source: Laws 1963, p. 161.)

28 (40 ILCS 5/11-170.1) (from Ch. 108 1/2, par. 11-170.1)  
29 Sec. 11-170.1. Pickup of employee contributions.

30 (a) The employer may pick up the employee contributions  
31 required by Sections 11-156, 11-170, 11-174 and 11-175.1 for  
32 salary earned after December 31, 1981. If employee  
33 contributions are not picked up, the amount that would have

1 been picked up under this amendatory Act of 1980 shall  
2 continue to be deducted from salary. If contributions are  
3 picked up they shall be treated as employer contributions in  
4 determining tax treatment under the United States Internal  
5 Revenue Code; however, the employer shall continue to  
6 withhold Federal and state income taxes based upon these  
7 contributions until the Internal Revenue Service or the  
8 Federal courts rule that pursuant to Section 414(h) of the  
9 United States Internal Revenue Code, these contributions  
10 shall not be included as gross income of the employee until  
11 such time as they are distributed or made available. The  
12 employer shall pay these employee contributions from the same  
13 source of funds which is used in paying salary to the  
14 employee. The employer may pick up these contributions by a  
15 reduction in the cash salary of the employee or by an offset  
16 against a future salary increase or by a combination of a  
17 reduction in salary and offset against a future salary  
18 increase. If employee contributions are picked up they shall  
19 be treated for all purposes of this Article 11, including  
20 Section 11-169, in the same manner and to the same extent as  
21 employee contributions made prior to the date picked up.

22 (b) Subject to the requirements of federal law and the  
23 rules of the Board, the Fund may allow the employee to elect  
24 to have the employer pick up the optional contributions that  
25 the employee has elected to pay to the Fund, and the  
26 contributions so picked up shall be treated as employer  
27 contributions for the purpose of determining federal tax  
28 treatment. The employer shall pick up the contributions by a  
29 reduction in the cash salary of the employee and shall pay  
30 contributions from the same source of funds that is used to  
31 pay earnings of the employee. The election to have the  
32 contributions picked up is irrevocable, and the optional  
33 contributions may not thereafter be prepaid, by direct  
34 payment or otherwise.

1       If the provision authorizing the optional contribution  
2       requires payment by a stated date (rather than the date of  
3       withdrawal or retirement), the requirement will be deemed to  
4       have been satisfied if (i) on or before the stated date the  
5       employee executes a valid irrevocable election to have the  
6       contributions picked up under this subsection, and (ii) the  
7       picked-up contributions are in fact paid to the Fund as  
8       provided in the election.

9       If employee contributions are picked up under this  
10       subsection, they shall be treated for all purposes of this  
11       Article 11, including Section 11-169, in the same manner and  
12       to the same extent as optional employee contributions made  
13       prior to the date picked up.

14       (Source: P.A. 81-1536.)

15       Section 90. The State Mandates Act is amended by adding  
16       Section 8.25 as follows:

17       (30 ILCS 805/8.25 new)

18       Sec. 8.25. Exempt mandate. Notwithstanding Sections 6  
19       and 8 of this Act, no reimbursement by the State is required  
20       for the implementation of any mandate created by this  
21       amendatory Act of the 92nd General Assembly.

22       Section 99. Effective date. This Act takes effect upon  
23       becoming law.